

Notwithstanding these favorable symptoms, there were circumstances which threw a doubt on the question whether the economic resources of Japan were ripe for maintaining the new monetary system in the form in which it was adopted. The large imports of foreign goods led to a drainage of gold which was only checked by the negotiation of loans abroad. Exports of gold exceeded imports by a total of about 42,800,000 yen during the three years ending with 1900, and the estimated gold stock of the country outside the Bank of Japan fell to 52,930,394 yen (\$26,450,000).^{*} One of the objects of establishing a stable exchange was apparently accomplished, however, in attracting foreign capital, as shown by the increase in the capital of stock companies from 532,522,377 yen at the close of 1897 to 887,606,190 yen at the close of 1903. Government loans were placed in London in 1899 and 1902, and funds on deposit there were employed from time to time as exchange funds for protecting specie reserves at home.³

The resources of Japan were put to a severe test in the war with Russia, but it was a test from which the Bank of Japan and the new monetary system emerged without discredit. The government leaned strongly upon the bank in finding means for carrying on the war. It was declared in the annual report for 1905 that the bank had discounted Treasury bonds for 258,940,000 yen and commercial paper for 301,845,010 yen, and that it had bought gold and silver to the amount of 686,000,000 yen.³ Its advances to the Treasury on current account, which amounted on the average for 1903 to 19,900,000 yen, reached on June 1, 1904, the amount of 34,300,000 yen, but were reduced on August 13th, as the result of the loan in London, to 19,000,000 yen.

ⁱ *Financial and Economic Annual of Japan, 1906*, 152. I remarked on the more favorable estimate of 1899, which was 93,360,986 yen, or a little more than one dollar per capita, that it "was perhaps an inadequate basis upon which to inaugurate the gold standard."—*Special Report on Coinage and Banking in the Philippine Islands*, 18.

^{*} *The Post-Bellum Financial Administration of Japan*, 225.

³ Raffalovich, *Le Marché Financier en 1906*, 578.